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SIPDIS

DEPARTMENT FOR EUR/SCE KABUMOTO AND WATSON  
USEU FOR HOLTZAPPLE  
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THE HAGUE FOR JOHNSON AND KAYE

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SUBJECT: CROATIA'S PROGRESS ON REFORMS THREATENED BY  
RIGHT-WING GAINS IN POLLS

Classified By: Ambassador Ralph Frank for reasons 1.5 (b,d)

Summary

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1. (C) New polls show that the reform-oriented parties which formed the Racan government are trailing Croatia's right-wing nationalist opposition in the race for November 23 parliamentary elections. Unless the current coalition turns it around -- and pollsters tell us they could still manage this -- Croatia could have a government led by the HDZ and including even more extreme nationalist parties before the end of the year. While the HDZ is no longer the party of Franjo Tudjman and has been supportive of the U.S. position on Iraq, the return of a nationalist government now would mean less cooperation with ICTY, a slowdown in improving relations with Serbia and Montenegro, more hesitance in implementing refugee returns and would likely not deliver a deployment to Iraq.

2. (C) While Croatia has matured as a state beyond the point where it would be appropriate -- or helpful -- for the USG to back one political option or the other openly, there are some steps we could take to avoid adding to the largely self-inflicted misfortunes facing Racan's coalition. We are already sponsoring a vigorous get-out-the vote campaign targeted at voters likely to support a reform agenda. In addition, we should defer tough messages calling for stepping up the pace of reform until after elections. We should also seek opportunities to show Croatia's voters that we recognize the achievements -- such as they are -- of the Racan government. End Summary.

Racan Coalition Trailing in Polls

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3. (C) A USAID-sponsored IRI poll released in early October shows that the coalition led by PM Racan's SDP is in real trouble as it begins the sprint for November 23 parliamentary elections. The Racan coalition brought the trouble on itself; polls in late Summer showed progressive parties with a slim (but comfortable) lead and momentum behind them. Rather than building on their lead, coalition political leaders coasted, and have only recently begun campaigning in earnest. To add insult to injury, the GoC continues to fumble politically-sensitive policy issues, like its recent mishandling of a unilateral declaration of an exclusive economic zone in the Adriatic.

4. (C) The IRI poll shows HDZ with a ten-point lead over Racan's SDP. More alarming is that this gain is not being made at the expense of other, more extreme right-wing parties, but from the large pool of undecided voters. IRI pollsters tell us that, if the election were held now, the HDZ and its ilk would win enough support to form a government. If coalition parties take decisive action, they may be able to turn this trend around, particularly if they can show voters that a vote for the HDZ is a vote against Croatia's aspirations to join the EU.

Reforms in Jeopardy

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5. (C) Croatia's voters and the international community had high expectations of the Racan government. While the government has not met many of these expectations, it has made progress on some important reforms. This progress, which has transformed Croatia from a net consumer of security in the region to a net producer, is at risk if a right-wing government with revanchist elements comes to power.

At Risk: ICTY Cooperation and Refugee Return

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6. (C) We have been frustrated with the Racan government's progress on ICTY cooperation and refugee return, but the alternative is worse. The HDZ has made it clear that they view PIFWC Ante Gotovina as a "hero, not a criminal." The

HSLs, which would be the HDZ's coalition partner, has declared that it would seek to change Croatia's law which makes cooperation with the Tribunal obligatory. Current GoC officials have privately expressed serious concerns to us about their ability to protect police operatives who have been involved in the search for indicted war criminals should a right-wing government come to power. On returns, despite our urging, the HDZ has not encouraged local leaders to facilitate refugee returns; an HDZ government would not improve even the Racan government's mixed record.

17. (C) The Racan government has made important progress toward building good-neighborly relations with Serbia and Montenegro. While some of its achievements -- like the Prevlaka agreement -- cannot be reversed, others would be at risk and the pace of rapprochement would certainly slow. Croatia under Racan has severed inappropriate links to Croats in BiH. HDZ President Sanader has told us privately that his party has dropped the Tudjman-era policies harmful to Dayton, but he nonetheless is campaigning in the hard-line Croat areas of BiH using nationalist themes.

18. (C) Sanader's public statements on Iraq have been music to our ears, but it is unlikely that an HDZ government would be able to deliver the two-thirds parliamentary majority required to deploy a Croatian contingent to Iraq. A Sanader cabinet would not consider itself bound by the Racan Cabinet's June 12 political decision (not ratified by parliament before it dissolved) to deploy troops to Iraq. Several of Sanader's likely coalition partners have already taken public positions against deployment.

What to Do?  
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19. (C) There is little that we can -- or should -- do to influence the outcome of the November 23 elections. But with the parliament dissolved and the Racan government in caretaker status until elections, there is no value in pushing Croatia to take new action on reforms until a new government is seated. We would instead advocate looking for ways to highlight the accomplishments of the Racan government and the progress Croatia has made toward Euro-Atlantic institutions under its stewardship. The upcoming meeting of the Adriatic Charter Partnership in Washington may provide us with an opportunity to make this point. More welcome for the Racan government and far more useful from an election standpoint would be messages of support from EU countries or international organizations.

FRANK

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